YUSEI HOLDINGS LIMITED
友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00096)

ANNUAL REPORT 2013

* for identification only

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REGISTERED OFFICE

Century Yard
Cricket Square
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Lin Gang Industrial Zone
Henggengtou Village, Guali Town
Xiaoshan District, Hangzhou City,
Zhejiang Province,
The PRC

BUSINESS ADDRESS IN HONG KONG

Unit 1, 9/F
Fortune Commercial Building
362 Sha Tsui Road
Tsuen Wan
N.T. Hong Kong

COMPANY SECRETARY

Mr. Shum Shing Kei CPA

COMPLIANCE OFFICER

Mr. Xu Yong

AUDIT COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Takabayashi Hisaki

REMUNERATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Takabayashi Hisaki

NOMINATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Takabayashi Hisaki

AUTHORISED REPRESENTATIVES

Mr. Xu Yong
Mr. Shum Shing Kei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

96

AUDITORS

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
54 Chenghe Street
Xiaoshan
Hangzhou
Zhejiang 311201
The PRC

Agricultural Bank of China
Jianshe Road
Xiaoshan Economy & Technology Development Zone
Zhejiang
311215
The PRC

Shanghai Pudong Development Bank
55 Tiyu Road
Chengxiang Town, Xiaoshan
Zhejiang
311215
The PRC

The Bank of Tokyo-Mitsubishi, UF J Ltd
20/F, AZIA Center
1233 Lujiazui Ring Road
Pudong Shanghai
People's Republic of China

BUSINESS REVIEW

During the year ended 31 December 2013, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the People's Republic of China ("PRC"). The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group's customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

On 1 January 2013, there was a fire in the production plant No. 2 (the "Plant No.2") of 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei"), one of the Company's subsidiaries, located in Lingang Industrial Park, Xiaoshan, Hangzhou City, Zhejiang Province, the PRC which was extinguished by afternoon of the same date. Three firemen died in this incident but fortunately it did not cause any casualty to the Group's staff.

In this incident, the Plant No. 2, certain property, plant and equipment and inventories have suffered from being severely damaged by fire and consequently the Company incurred net loss of approximately RMB21,650,000 even after received the compensation from the insurance companies of approximately RMB78,098,000.

As the production capacity of the damaged production lines and machineries and equipment in the Plant No. 2 accounts for approximately 15% of the Group's total production capacity, the Group's overall turnover for the year ended 31 December 2013 was approximately RMB892,968,000, representing a decrease of 9.3% as compared to that of approximately RMB984,776,000 for the year ended 31 December 2012.

However, Hangzhou Yusei commenced re-building the new Plant No. 2 since 22 May 2013, with the planned construction area of approximately 17,000 square metres. The construction was completed subsequent to 31 December 2013 and, the Group's production capacity restored to the level prior to the fire accident. The total construction cost of the new Plant No. 2 was approximately RMB30,000,000. Moreover, the Board believes that the construction of the Plant No. 3 at a piece of undeveloped land owned by the Group adjacent to the new Plant No. 2 will materialize in 2014 and upon its completion, the Group's production capacity will be increased by 30%.

FINANCIAL REVIEW

TURNOVER

The Group's turnover for the year ended 31 December 2013 decreased by 9.3% to approximately RMB892,968,000 as compared to that of approximately RMB984,776,000 for the year ended 31 December 2012. The decrease in turnover was mainly due to the decrease in production capacity of the Group after the fire accident occurred on 1 January 2013.

During the year, the Group put more resources in the production of plastic injection mould products and certain assembling and further processing of plastic components for maintenance and enhancement its position as a one-stop total solution provider in the plastic injection moulding industry.

GROSS PROFIT

The Group achieved a gross profit of approximately RMB116,975,000 for the year ended 31 December 2013, representing an increase of approximately 13.7% as compared to that of approximately RMB102,921,000 for the year ended 31 December 2012. During the year, the overall gross profit margin was increased as a result of increasing the proportion of production and sales of comparatively high gross margin products as a result of change in sales mix structure.

OTHER INCOME

Included in the Group's other income for the year ended 31 December 2012 was a gain on disposal of the Group's factory building located at No.8 Youcheng Road, Xiaoshan Economic and Technology Development Zone, Zhejiang Province, the PRC and related land use rights of approximately RMB35,000,000.

DISTRIBUTION COSTS

Distribution costs for the year ended 31 December 2013 increased by approximately 1.7% to approximately RMB27,594,000 as compared to that of approximately RMB27,147,000 for the year ended 31 December 2012. Such increase was mainly due to the net effect of (i) the decrease in sales and (ii) the purchase of new packing materials for replacement of those destroyed in the fire accident.

NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain mainly represented the gain arising from exchange rate translation of Japanese Yen ("JPY") denominated obligations under finance leases and bank borrowings at the balance sheet date as a result of the depreciation of the Japanese Yen against RMB.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2013 decreased approximately by 5.9% to RMB50,754,000 as compared to that of approximately RMB53,941,000 for the year ended 31 December 2012. Such decrease was mainly attributable to reduction in salaries of Hangzhou Yusei after the fire accident and decrease in technical services fee paid to Yusei Machinery Corporation Yusei Japan.

FINANCE COSTS

Finance costs for the year ended 31 December 2013 decreased approximately by 23.1% to RMB23,217,000 as compared to that of approximately RMB30,203,000 for the year ended 31 December 2012. As a result of the proceeds of the disposed factory buildings and land use rights, and the insurance claim for fire accident for loans repayment, the Group's average bank borrowings have been decreased.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company decreased by approximately 86.5% from approximately RMB41,445,000 for the year ended 31 December 2012 to approximately RMB5,604,000 for the year ended 31 December 2013.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2013, the equity amounted to approximately RMB260,678,000. Current assets amounted to approximately RMB508,585,000, of which bank balances, deposits and cash and pledged bank deposits totaling approximately RMB77,150,000. The Group had non-current assets of approximately RMB364,590,000 and its current liabilities amounted to approximately RMB592,277,000, comprising mainly its creditors and accrued charges and bank borrowings. The net asset value per share was RMB1.48. The Group expresses its gearing ratio as a percentage of finance leases and borrowings over total assets. As at 31 December 2013, the Group had a gearing ratio of 37.4%.

SEGMENT INFORMATION

The sole principal activity of the Group is moulding fabrication, manufacturing and trading of moulds and plastic components. All the Group's operations are located and carried out in the PRC. As the Group operated in a single operating segment, no segmental analysis has been presented accordingly.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2013, the total number of the Group's staff was approximately 2,260. The total staff costs (including directors' remuneration) amounted to approximately RMB135,717,000 for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC.

CHARGE ON GROUP ASSETS

As at 31 December 2013, the Group's bank and other loans are secured by land use rights and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB8,645,000 and RMB43,270,000 respectively.

FOREIGN CURRENCY RISK

The Group carries on business in RMB, United States dollars ("US$") and JPY and therefore the Group is exposed to foreign currency risk as the values of these currencies fluctuate in the international market.

The Group's exposure to foreign currency risk is attributable to the debtors, deposits and prepayments; bank balances, deposits and cash; creditors and accrued charges; obligations under finance leases and bank borrowings of the Group which are denominated in foreign currencies of US$ and JPY. The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had capital expenditure contracted for but not provided in the financial statements of approximately RMB3,443,000 in respect of acquisition of property, plant and equipment.

OUTLOOK

Management will actively adopted the Group's strategy to leverage on the experience of its management team in the plastic component manufacturing industry and its expertise in mould development to enhance the quality of its products, expand its customer base and strengthen the leading position in the high-end mould industry and its overall core competitiveness in relation to the one-stop services ranging from products development, plastic injection, aluminium-plating and assembling.

As a service provider to the well-known international branded manufacturers, the management believes that the Group possesses the managerial characteristics which our major customers may appreciate, including: (i) high-level demand on the quality of the products, particularly in the automotive parts and components, office automation machines like assembling parts of photocopies and printers must meet a high standard of precision in order to ensure the machine work effectively; (ii) emphasis on production efficiency to shorten the production cycle; and (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers' production efficiency. In addition, to deliver the parts and components of high precision to the customers, the Group put much efforts in acquisition of advanced production machineries which were made by the international well-known branded manufacturers.

For keeping abreast of the current development in the market and the customers' needs, the Group strengthens the communication with customers in USA and Japan. Apart from seconding technicians to Japan for training, the Group employed experienced salesmen and technicians from United Kingdom and Japan to improve the capability of marketing and technical ability.

As regards the quality of the products, the Group had adopted ERP system to facilitate the production flow and monitor the product quality. To response the changing technology in the industry, the Company will continue to acquire and install advanced machinery and equipment and to increase the ability to design and develop precision plastic injection moulds. The Company will rely on the one-stop solution from precision mould, plastic injection, aluminium plating to assembling to improve the sales network to capture opportunities in order to increase market share and to enlarge the customer bases. Nevertheless, the Group is cautious in accepting the new customers and we take into account of all factors in the process, including product pricing and the reputation of the potential customers and so on. For market exploring, the Group will continue to promote its business internationally and during the period, the Group had built up business relationship with several new internationally reputable customers in Europe and America such as Germany, France and Brazil, and serves them with high-quality moulds.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development and fabrication of plastic injection moulds and the manufacture of plastic components in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The profit for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 26 to 86.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out as follows:

RESULTS

	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**892,968**	984,776	831,994	837,367	554,484
Cost of sales	**(775,993)**	(881,855)	(715,970)	(700,364)	(460,973)
Gross profit	**116,975**	102,921	116,024	137,003	93,511
Other income	**6,911**	42,342	8,669	5,270	6,603
Distribution costs	**(27,594)**	(27,147)	(20,933)	(18,707)	(13,132)
Net foreign exchange gain (loss)	**8,388**	6,512	(5,094)	(16,774)	–
Administrative expenses	**(50,754)**	(53,941)	(52,617)	(50,927)	(44,527)
Loss caused by fire accident	**(21,650)**	–	–	–	–
Finance costs	**(23,217)**	(30,203)	(22,975)	(17,675)	(16,928)
Share of results of associates	**143**	3,438	948	(6,205)	(2,418)
Profit before taxation	**9,202**	43,922	24,022	31,985	23,109
Income tax expense	**(3,598)**	(2,477)	(8,682)	(10,578)	(3,547)
Profit for the year	**5,604**	41,445	15,340	21,407	19,562
ASSETS AND LIABILITIES					
Total assets	**873,175**	985,335	1,010,366	947,301	805,403
Total liabilities	**(612,497)**	(731,935)	(798,332)	(742,331)	(621,911)
	260,678	253,400	212,034	204,970	183,492

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(b) to the consolidated financial statements and the consolidated statement of changes in equity and note 32 to the consolidated financial statements, respectively.

The reserve available for distribution to shareholders is based on the lower of the aggregate amount of profit after taxation for the year and retained profits brought forward determined under accounting standards in the People's Republic of China and that determined under general accepted accounting principles of Hong Kong after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 65% of the total sales for the year and sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for 28% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Xu Yong
Mr. Shimabayashi Manabu

Non-executive directors:
Mr. Katsutoshi Masuda
Mr. Toshimitsu Masuda
Mr. Shinichi Koizumi (Resigned on 9 September 2013)
Mr. Lo Ka Wai*
Mr. Fan Xiaoping*
Mr. Takabayashi Hisaki*

* *Independent non-executive directors*

In accordance with articles 87 and 88 of the Company's articles of association, Messrs Lo Ka Wai, Fan Xiaoping and Takabayashi Hisaki will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs Lo Ka Wai, Fan Xiaoping and Takabayashi Hisaki and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with the executive directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than three months written notice.

In addition, the Company has entered into letter of appointment with non-executive directors and independent non-executive directors which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 22, 26 and 36 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

CONTINUING CONNECTED TRANSACTIONS

On 20 December 2012, the Group entered into the Technical Service Agreement (the "TS Agreement") with Yusei Japan, the Company's controlling shareholder, whereby Yusei Japan agreed to provide to the Company's subsidiaries (the "Subsidiaries") technical assistance service in connection with the process of manufacturing plastic injection moulds and the production of the plastic end products due to limitation in relevant technology and expertise of the Group.

The TS Agreement was entered into between the Group and Yusei Japan on 20 December 2012 for a term until 31 December 2014. Yusei Japan shall second technical consultants to the Subsidiaries for the provision of technical service on mould manufacturing and production of plastic products. The proposed annual cap of technical service fee for the year ended 31 December 2012 and 2013 and for the year ending 31 December 2014 was RMB1,200,000, RMB3,500,000 and RMB1,200,000, respectively.

The independent non-executive directors of the Company had reviewed the above continuing connected transactions and had confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available with independent third parties; and (iii) in accordance with the TS Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year ended 31 December 2013, Yusei Japan did not provide the technical assistance service to the Subsidiaries and hence no technical service fee was paid or payable from the Group to Yusei Japan during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The interests and/or short position of the Directors and chief executives of the Company in the Shares, underlying shares in respect of equity derivatives and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which was required pursuant to the Listing Rules relating to securities transactions by the directors to be notified to the Company and the Stock Exchange are as follows:

Name of Company	Name of Director	Capacity: Personal Interests	Capacity: Family Interests	Capacity: Corporate Interests	Number of shares: Long Position	Number of shares: Short Position	Approximate Percentage of interests
Company	Katsutoshi Masuda ("Mr. Masuda") (Note 1)	–	–	80,960,000 shares	80,960,000 shares	–	46%
Company	Toshimitsu Masuda (Note 2)	–	–	80,960,000 shares	80,960,000 shares	–	46%
Company	Xu Yong	10,560,000 shares	–	–	10,560,000 shares	–	6%
Company	Manabu Shimabayashi	–	110,200 shares	–	110,200 shares	–	0.1%
Company	Shinichi Koizumi	22,000 shares	–	–	22,000 shares	–	0%
Company	Fan Xiaoping	19,800 shares	–	–	19,800 shares	–	0%
Yusei Machinery Corporation ("Yusei Japan")	Mr. Masuda (Note 3)	21,960 shares	2,100 shares	25,760 shares	49,820 shares	–	49.8%
Yusei Japan	Toshimitsu Masuda (Note 4)	1,700 shares	–	25,760 shares	27,460 shares	–	27.5%

Notes:

1. Mr. Masuda is deemed to be interested in 49.8% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 46% in the issued share capital of the Company and that Yusei Japan or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 80,960,000 Shares held by Yusei Japan.

2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% in the issued share capital of Yusei Japan which in turn is interested in 46% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 80,960,000 Shares through his shareholding in Conpri.

3. Mr. Masuda holds 30% of the issued share capital of Conpri. Conpri or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

4. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% of the issued share capital of Yusei Japan. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or be recorded in the register of the Company or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any other member of the Group are as follows:

Name of Company	Number of shareholder	Capacity	Number of shares Long Position	Number of shares Short Position	Approximate percentage of interests
Company	Yusei Japan	Beneficial Owner	80,960,000 shares	–	46%
Company	Conpri (Note 1)	Corporate Interest	80,960,000 shares	–	46%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	80,960,000 shares	–	46%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	38,722,000 shares	–	22%

Notes:

1. Conpri is interested in 25.8% in the issued share capital of Yusei Japan. By virtue of SFO, Conpri is deemed to be interested in 80,960,000 shares held by Yusei Japan.

2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 80,960,000 Shares pursuant to the SFO.

3. Superview International Investment Limited is wholly owned by Mr. Xu Yue, an elder brother of Mr. Xu Yong who is an executive director of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2013, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE AND SUMMARY OF INDEPENDENT AUDITOR'S REPORT

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Hisaki Takabayashi, Mr. Fan Xiaoping and Mr. Lo Ka Wai, with written terms of reference in compliance with Rules 3.21 to 3.22 of the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company's annual report and accounts, half-yearly report and quarterly reports and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Lo Ka Wai is the chairman of the audit committee.

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2013, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' INTEREST IN A COMPLETING BUSINESS

Yusei Japan is beneficially owned as to 46% equity interest of the Company. With its production and business operations based in Japan, Yusei Japan is principally engaged in the design, fabrication and sales of plastic injection moulds, and, to a lesser extent, the manufacture and sales of plastic component products. The plastic injection moulds fabricated by Yusei Japan are mainly applicable for the manufacture of headlight components including glass lens and reflector, automobile gauge board and other interior components for automobiles. Furthermore, Yusei Japan also fabricates plastic injection moulds for the manufacturing of peripheral plastic components for air conditioners and component parts for fishing tools.

Yusei Japan is owned as to approximately 25.8% by Conpri, as to approximately 21.9% by Mr. Masuda, as to approximately 12.1% by Mr. Akio Suzuki, as to approximately 2.1% by Mrs. Echiko Masuda and as to approximately 1.7% by Mr. Toshimitsu Masuda, as to 30% by Tokyo Small and Medium Business Investment & Consultation Co., Ltd., respectively and as to approximately 6.4% held by Yusei Japan itself as a result of share repurchase, which according to the confirmation of a practicing Japanese law firm, need not be extinguished from the issued share capital of Yusei Japan under Japanese laws. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are the Company's non-executive directors. Mr. Akio Suzuki was the Company's non-executive directors.

Notwithstanding that the Group and Yusei Japan are engaged in similar business activities to certain extent, there is a clear delineation and independence of the Group's business from that of Yusei Japan. In particular, the Group's target markets (being the PRC, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC) are territorially different from that of Yusei Japan. The locations of the production facilities are different and separate between the Group and Yusei Japan. The management responsible for the day-to-day operations of the Group and Yusei Japan is also different. The Directors believe that Yusei Japan does not compete with the Group.

Notwithstanding that the Directors believe that Yusei Japan does not compete with the Group, to clearly delineate the business operations of the Group from that of Yusei Japan and to avoid any possible future competition with the Group, Yusei Japan and its shareholders (collectively ''the Covenantors'') have entered into a deed of non-competition dated 19 September 2005 (the ''Deed of Non-competition''), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes and covenants with the Company that each of the Covenantors shall:

(1) not either on his/her/its own account or for any other person, firm or company, and (if applicable) shall procure that its subsidiaries (other than the Company and any member of the Group) or companies controlled by each of the Covenantors shall not either on its own behalf or as agent for any person, firm or company and either directly or indirectly (whether as a shareholder, partner, consultant or otherwise and whether for profit, reward or otherwise) at any time solicit, interfere with or endeavour to entice away from any member of the Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time been a customer or supplier or a business partner of any member of the Group;

(2) not either alone or jointly with any other person, firm or company, carry on (including but not limited to making investments, setting up distribution channels and/or liaison offices and creating business alliances), participate, be engaged, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of the design, development and fabrication of precision plastic injection moulds or the manufacturing of plastic components in the Group's Exclusive Markets or the provision of certain assembling and further processing of plastic components for customers (the ''Business'') from time to time carried out by any member of the Group (provision of assistance and support to the Group excepted) including the entering into of any contracts, agreements or other arrangements in relation to any of the above;

(3) not directly or indirectly sell, distribute, supply or otherwise provide products that are within the Group's Product Portfolio to any purchaser or potential purchaser of any products within the Group's Product Portfolio in the Group's Exclusive Markets (the ''Customers'') and upon receipt of any enquiry from Customers for products which are within the Group's Product Portfolio, to refer to the Company or any member of the Group all such business opportunities received by the Covenantors and provide sufficient information to enable the Company or any member of Group to reach an informed view and assessment on such business opportunities;

(4) not directly or indirectly sell, distribute, supply or otherwise provide any products that are within the Group's Product Portfolio where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets;

(5) upon receipt of any order or enquiry from customers outside the Group's Exclusive Markets for products which are within the Group's Product Portfolio and where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets, the relevant Covenantor shall inform the Group in writing of such order or enquiry and refer such customer to contract directly with the Group for the order of the relevant product;

(6) not do or say anything which may be harmful to the reputation of any member of the Group or which may lead any person to reduce their level of business with any member of the Group or seek to improve their terms of trade with any member of the Group; and

(7) not solicit or entice or endeavour to solicit or entice any of the employees of or consultants to the Group to terminate their employment or appointment with any member of the Group.

Saved as disclosed above, none of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

AUDITORS

SHINEWING (HK) CPA Limited ("SHINEWING") were appointed as auditors of the Company on 12 January 2007 in succession to Deloitte Touche Tohmatsu which resigned on 5 December 2006. The consolidated financial statements for the year have been audited by SHINEWING.

SHINEWING retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Katsutoshi Masuda
Chairman

PRC
28 March 2014

CORPORATE GOVERNANCE PRACTICES

It is our long standing belief that a high standard of corporate governance is the key to the Group's stable and effective operation and is in the interests of the Group and its shareholders in long term. Throughout the year ended 31 December 2013, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.1.8 of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2013, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Directors, with relevant and sufficient experience and qualification have exercised due care, fiduciary duties to the significant issues of the Company and its subsidiaries (the "Group"). The Board of the Company is comprised of two executive directors, three non-executive directors and three independent non-executive directors. All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year. The list of directors and their biographies are set out in pages 22 to 23.

Interim and final board meetings of the Board are held on a regular basis. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene ad hoc meeting to discuss matters requiring a decision by the Board. The management is authorized to exercise discretion on daily operation matters.

The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the daily operations of the Company and is required to report to the Board on a regular basis. The Board will formulate the development strategies of the Company within its scope of authorization. The management is authorized and entrusted by the Board to implement the strategies and oversee the daily operations of the Group.

During the Year, the Board held 4 meetings. Pursuant to the Articles of the Company, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".

Regular meetings of the Board of the Company were held during the Year. Extra meetings were also held to cater for important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication. Notice of 14 days was given to each director prior to a board meeting.

The company secretary assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.

Minutes of board meetings and meetings of committees are duly kept by the secretary to the Board and freely available for inspection by the directors. Such meeting minutes recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.

Transactions in which directors are deemed to be involved in conflict of interests or deemed to be materially interested in will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

The directors may seek independent professional advice on professional matters involved at the expense of the Company.

Mr. Toshimitsu Masuda is the son of Mr. Katsutoshi Masuda.

Name of directors		Attendance of individual directors in meetings of the Board in 2013
Katsutoshi Masuda[2] (Chairman)		4/4
Xu Yong[1]		4/4
Shimabayashi Manabu[1]		4/4
Toshimitsu Masuda[2]		4/4
Shinichi Koizumi[2]	(Resigned on 9 September 2013)	3/3
Lo Ka Wai[3]		4/4
Fan Xiao Ping[3]		4/4
Hisaki Takabayashi[3]		4/4

1 Executive Directors
2 Non-executive Directors
3 Independent non-executive Directors

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman and general manager were served by different individuals. The chairman is responsible for overseeing operations of the Board and formulating the strategies and policies of the Company, while the general manager for managing the businesses of the Company.

Mr. Katsutoshi Masuda served as the chairman of the Board of the Company, which is equivalent to the post of chairman, responsible for leading the Board and the procedures and operation of the Board.

Mr. Xu Yong served as the general manager of the Company, which is equivalent to the post of chief executive officer, responsible for the daily operations of the Company and other matters authorized by the Board.

NON-EXECUTIVE DIRECTORS

Each of Non-executive Directors has entered into a letter of appointment with the Company for a term of three years which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

Pursuant to the Articles of the Company, one-third of the directors shall retire from office by rotation and, being eligible, will offer themselves for re-election at the annual general meeting.

INDEMNITIES OF DIRECTORS AND CHIEF EXECUTIVES

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's businesses are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the Management has placed emphasis on control over corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore it is not necessary to purchase insurance for the Directors and Chief Executives.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

During the year, the Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

REMUNERATION COMMITTEE

The Company has established Remuneration Committee comprising all independent non-executive directors.

The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Company, and fixing the remuneration packages for directors and senior management, including benefits in kind, pension and compensation. The terms of reference of the Remuneration Committee was published on the Group's website.

The Remuneration Committee has held one meeting during the year with all members of the Committee attended.

NOMINATION COMMITTEE

The Company has set up nomination committee comprising all independent non-executive directors. The Nomination Committee is responsible for the recommendation, election and appointment of Directors of the Company. The criteria for nomination of directors for re-election include the past performance of the respective directors and the suitability of the nominee as a director of a listed company. The term of reference of Nomination Committee was published on the Group's website.

The Nomination Committee has held one meeting during the year with all members of the Committee attended.

AUDITORS' REMUNERATION

SHINEWING (HK) CPA Limited ("SHINEWING") were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 31 May 2013. Auditing fees in respect of annual audit and non-audit services for the year ended 31 December 2013 amounted to RMB916,000 and RMB75,000 respectively.

The consolidated financial statements for the years ended 31 December 2008, 2009, 2010, 2011, 2012 and 2013 were audited by SHINEWING.

AUDIT COMMITTEE

The Company has established an Audit Committee comprising all Independent Non-executive Directors, namely Messrs Lo Ka Wai (as chairman), Fan Xiaoping and Hisaki Takabayashi, with written terms of reference published on the Group's website. The primary duties of the Audit Committee are (1) to review, in draft form, the Company's annual report and accounts, and interim reports and providing advice and comments thereon to the Board; and (2) to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee holds at least two meetings each year.

Name of directors	Attendance of individual directors in meetings of the committee in 2013
Lo Ka Wai	2/2
Fan Xiao Ping	2/2
Hisaki Takabayahi	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;
2. To review and monitor the training and continuous professional development of directors and senior management;
3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
5. To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance ("Companies Ordinance"), the Hong Kong Financial Reporting Standards ("HKFRSs") and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable.

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the results of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report attached to the Company's 2013 Annual Report.

COMPANY SECRETARY

Company Secretary: Mr. Shum Shing Kei (fellow member of the Hong Kong Institute of Certified Public Accountants). During the year ended 31 December 2013, Mr. Shum has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal controls and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group. The executive directors and senior management of the Group have been granted corresponding authorizations to manage and monitor all operating systems of the entity and to handle the related affairs pursuant to the principles of trust and impartiality. The Audit Committee supervises the internal control system of the Group and reviews the internal audit report presented by the senior management, as well as reports any major issues and makes recommendations to the Board.

During the Year under Review and as of the date hereof, the Board considered that the prevailing internal control system of the Group is steady and is adequate to protect the interests of the shareholders, customers and employees as well as the assets of the Group. The Group has engaged sufficient employees in the accounting and finance functions, who have the resources, qualifications and experiences as well as the necessary training and budget.

SHAREHOLDER RIGHTS

GENERAL MEETING

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the shareholders' meetings. Auditor of the Company is also invited to attend the Company's AGM and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Notice of AGM together with related papers are sent to the shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. All votes of shareholders at the general meeting will be decided by poll. The Chairman will demand that all resolutions put to the vote at the AGM will be taken by poll and will explain such rights and procedures during the AGM before voting on the resolutions. An independent scrutineer will be appointed to count the votes and the poll results will be posted on the websites of the Company and the Stock Exchange after the AGM.

Shareholders of the Company can make a requisition to convene an extraordinary general meeting ("EGM") pursuant to Article 58 of the Company's Articles of Association. The procedures for the shareholders to convene an EGM are as follows:

1. One or more shareholders ("Requisitionist") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the directors or the company secretary of the Company at all of the following addresses:

Principal place of business of the Company in Hong Kong

Address: Unit 901, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, NT, Hong Kong

Email: zl-chen@yusei.cn

Attention: Company Secretary

Head office of the Company

Address: Lin Gang Industrial Zone, Henggengtou Village, Guali Town, Xiaoshan District, Hangzhou City, Zhejiang Province, the People's Republic of China

Attention: Company Secretary

Registered office of the Company

Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Attention: Company Secretary

3. The EGM shall be held within two months after the deposit of such requisition.

4. If the directors fail to proceed to convene such meeting within 21 days of such deposit, the Requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the Requisitionist as a result of the failure of the directors shall be reimbursed to the Requisitionist by the Company.

INVESTORS RELATIONS

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Group:

- continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- responsible planning, establishment and operation of the Group's core businesses;
- responsible management of the Group's investment and business risks; and
- true, fair and detailed disclosure of the financial position and operating performance of the Group.

The Group believes that shareholders' rights should be well respected and protected. The Group endeavors to maintain good communications with shareholders on its performance through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

For the purpose of promoting the mutual communication between the Group, its shareholders and potential investors on a regular basis, the Group has set up an investor relations office to respond to the questions and enquiries from shareholders and the general public. For any enquiries, investors may write directly to the Group at its place of business in the PRC. They may also call us directly by phone.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Katsutoshi MASUDA (增田勝年先生), aged 69, is the chairman and a non-executive Director of the Company. Mr. Masuda was appointed as the chairman of the Company on 2 June 2005 and as a Director on 21 April 2005. Mr. Masuda has over 35 years of experience in mould fabrication and manufacturing. Mr. Masuda founded Yusei Machinery Corporation ("Yusei Japan"), the Company's ultimate holding company in September 1969 and is currently also a director and shareholder of Yusei Japan and Conpri. Mr. Masuda is one of the founders of the Group in April 1992 and is responsible for the major strategy of the Group.

Mr. XU Yong (許勇先生), aged 51, is an executive Director and the manager of Zhejiang Yusei. Mr. Xu was appointed as a Director of the Company on 21 April 2005. Mr. Xu has over 10 years of experience in mould fabrication. Mr. Xu completed an industrial business administration course in 浙江廣播電視大學 (Zhejiang Broadcasting & Television University) in August 1986 and completed a Japanese language course in 杭州大學外語學院(Department of Foreign Language of University of Hangzhou) and 浙江省科學技術培訓中心(Science and Technology Training Centre of Zhejiang Province) in February 1993 and November 1993 respectively. In November 1994, Mr. Xu completed a production management and mechanical engineering internship program in Toneseiki Company Limited (日本利根精機株式會社). Mr. Xu was graduated from the Central Party School of the Communist Party of China in 2008 and obtained the law degree. Mr. Xu joined Zhejiang Yusei as its deputy general manager in June 1995. Currently, Mr. Xu is responsible for the general management of the Group and the supervision of the overall production operation.

Mr. Manabu SHIMABAYASHI (島林學步先生), aged 40, is the director and deputy manager of Zhejiang Yusei. Mr. Shimabayashi will be appointed as an executive Director of the Company with effect from the date on which the listing of the Shares is transferred from GEM to Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He graduated from Seijo University (成城大學) with a bachelor degree in economics in 1996. He was employed by an accountants' firm in Shizuoka, Japan from 1996 to 2007. Mr. Shimabayashi joined the Group in 2007 as head of management department of Zhejiang Yusei.

Mr. Toshimitsu MASUDA (增田敏光先生), aged 45, son of Mr. Katsutoshi Masuda, was appointed as a non-executive Director on 2 June 2005. Mr. Toshimitsu Masuda graduated from Kogakuin University in Japan in production mechanical engineering studies in March 1991. Mr. Toshimitsu Masuda joined Yusei Japan in 1997 as a director and is a shareholder of Yusei Japan. He is also a director and shareholder of Conpri. Mr. Toshimitsu Masuda joined the Group in May 1998.

Mr. Shinichi KOIZUMI (小泉伸一先生), aged 61, was appointed as a non-executive Director with effect from the date on which the listing of the Shares is transferred from GEM to Main Board of the Stock Exchange. Mr. Koizumi graduated from Keio University (慶應義塾大學) with bachelor degree in business in 1976. Before joining Yusei Japan, Mr. Koizumi was employed by the Shizuoka Bank Ltd,. He joined Yusei Japan in 2007. At present, Mr. Koizumi is also a director of Yusei Japan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Xiaoping (范曉屏先生), aged 55, was appointed as an independent non-executive Director on 2 September 2005. Mr. Fan graduated from 浙江大學 (University of Zhejiang) with a bachelor degree in physics in July 1982 and completed a master program in administration science and engineering in July 1988. Mr. Fan is currently a professor in the business administration department in the University of Zhejiang.

Mr. LO Ka Wai (羅嘉偉先生), aged 44, was appointed as an independent non-executive Director on 2 September 2005. Mr. Lo graduated from the University of Wollongong, Australia in 1992 with a bachelor degree in commerce (with merit). Mr. Lo is a qualified accountant and is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo is currently an executive director of National United Resources Holdings Limited and of Pearl River Tyre (Holdings) Limited and is an independent non-executive director of Sheng Yuan Holdings Limited, all of which are listed on the Main Board of the Stock Exchange.

Mr. Hisaki TAKABAYASHI (高林久記先生), aged 53, was appointed as an independent non-executive Director on 2 September 2005. Mr. Takabayashi graduated from 大東文化大學 (Daitobonka University) with a bachelor degree in Chinese in March 1983. Mr. Takabayashi was the deputy representative of the Shanghai Office of 日本靜岡縣國際經濟振興會 (Shizuoka International Economic Organisation) in 2002. At present, Mr. Takabayashi is the Business Bureau Supervisor of 日本靜岡縣日中友好協進會 (Japan and China Friendship Council of Shizuoka Prefecture).

SENIOR MANAGEMENT

Mr. LI Yuquan (李玉泉先生), aged 65, joined the Group in 2010. He is currently the Group's managing supervisor. Before joining the Group, Mr. Li served as senior management positions in a number of large enterprises. Currently, Mr. Li is responsible for the internal management of the Group, upgrading the management and optimizing business operations.

Mr. CHEN Gang (陳剛先生), aged 46, joined the Group in September 1992 and has worked in various positions in the Group including technician, mould fabrication technical division head and mould fabrication department head. In January 2003, Mr. Chen was appointed as the department head of the operation technology department and is responsible for the overall operation and technology enhancement for mould fabrication.

Mr. WANG Dehong (王德洪先生), aged 44, was graduated from Hubei Institute of Technology in 1994 to obtain a Bachelor degree of Engineering. In 1995, Mr. Wang joined the Group and had held various positions, including technicians, chief of quality control department and head of production department. He is currently the Group's production supervisor and is responsible for enhancement of the Group's overall production management, quality and efficiency.

Mr. SHUM Shing Kei (沈成基先生), aged 42, is company secretary of the Company. He obtained a master degree in financial management from the University of London, the United Kingdom in December 1998. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in April 2005, he had over 11 years of experience in auditing and accounting and had worked for an international accounting firm and a listed company in Hong Kong.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
YUSEI HOLDINGS LIMITED
友成控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yusei Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 86, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that as at 31 December 2013, the Group has net current liabilities of approximately RMB83,692,000. These conditions as set out in note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei Anthony
Practising Certificate Number: P05591

Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	NOTES	**2013 RMB'000**	2012 RMB'000
Revenue	8	**892,968**	984,776
Cost of sales		**(775,993)**	(881,855)
Gross profit		**116,975**	102,921
Other income	9	**6,911**	42,342
Net foreign exchange gain		**8,388**	6,512
Distribution costs		**(27,594)**	(27,147)
Administrative expenses		**(50,754)**	(53,941)
Loss caused by fire accident	10	**(21,650)**	–
Finance costs	11	**(23,217)**	(30,203)
Share of results of associates	19	**143**	3,438
Profit before taxation		**9,202**	43,922
Income tax expense	12	**(3,598)**	(2,477)
Profit for the year attributable to owners of the Company	13	**5,604**	41,445
Earnings per share			
Basic and diluted	15	**RMB0.032**	RMB0.235

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Profit for the year	**5,604**	41,445
Other comprehensive income (expense): Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translating	**1,674**	(79)
Total comprehensive income for the year attributable to owners of the Company	**7,278**	41,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**321,317**	373,455
Intangible assets	17	**864**	417
Land use rights	18	**18,797**	19,420
Interests in associates	19	**23,612**	23,469
		364,590	416,761
Current assets			
Inventories	20	**138,810**	140,390
Trade receivables, deposits and prepayments	21	**288,359**	330,515
Amounts due from associates	22	**4,266**	3,058
Pledged bank deposits	23	**2,479**	31,265
Bank balances, deposits and cash	24	**74,671**	63,346
		508,585	568,574
Current liabilities			
Trade and other payables	25	**240,319**	309,647
Amount due to ultimate holding company	26	**25,429**	24,441
Amounts due to associates	22	**10,972**	5,991
Income tax liabilities		**8,206**	5,526
Obligations under finance leases – due within one year	27	**5,163**	13,451
Bank and other loans – due within one year	28	**302,188**	330,567
		592,277	689,623
Net current liabilities		**(83,692)**	(121,049)
Total assets less current liabilities		**280,898**	295,712

	NOTES	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Obligations under finance leases			
– due after one year	27	**8,353**	13,516
Bank and other loans – due after one year	28	**10,741**	27,422
Deferred income	29	**1,126**	1,374
		20,220	42,312
		260,678	253,400
Capital and reserves			
Share capital	30	**1,810**	1,810
Reserves		**258,868**	251,590
		260,678	253,400

The consolidated financial statements on pages 26 to 86 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000 (Note 30)	Share premium RMB'000	Special reserve RMB'000 (Note 32(i))	Reserve for shares issued with vesting conditions RMB'000 (Note 32(iv))	Translation reserve RMB'000	Capital reserve RMB'000 (Note 32(ii))	Statutory surplus reserve RMB'000 (Note 32(iii))	Retained profits RMB'000	Total RMB'000
1 January 2012	1,810	39,867	49,663	18,065	5,458	71	14,274	82,826	212,034
Profit for the year	–	–	–	–	–	–	–	41,445	41,445
Other comprehensive income for the year	–	–	–	–	(79)	–	–	–	(79)
Total comprehensive income for the year	–	–	–	–	(79)	–	–	41,445	41,366
Transfer	–	–	–	–	–	–	1,191	(1,191)	–
At 31 December 2012 and 1 January 2013	**1,810**	**39,867**	**49,663**	**18,065**	**5,379**	**71**	**15,465**	**123,080**	**253,400**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,604**	**5,604**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1,674**	**–**	**–**	**–**	**1,674**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,674**	**–**	**–**	**5,604**	**7,278**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**1,028**	**(1,028)**	**–**
At 31 December 2013	**1,810**	**39,867**	**49,663**	**18,065**	**7,053**	**71**	**16,493**	**127,656**	**260,678**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**9,202**	43,922
Adjustments for:		
Bank interest income	**(999)**	(1,582)
Depreciation and amortisation	**43,035**	51,088
Finance costs	**23,217**	30,203
Government subsidies	**(204)**	(173)
Impairment loss on trade receivables	**1,475**	1,365
Impairment loss on inventories	**45**	1,807
Gain on disposal of property, plant and equipment and land use rights	**(11)**	(35,239)
Losses caused by fire accident on property, plant and equipment	**42,891**	–
Losses caused by fire accident on inventories	**47,571**	–
Provision for compensation to customers	**4,570**	–
Release of deferred gain on sale and leaseback of property, plant and equipment	**(163)**	(136)
Release of government grants for land use rights	**(85)**	(85)
Reversal of impairment loss on inventories	**(1,881)**	(1,719)
Reversal of impairment loss on trade receivables	**(167)**	–
Share of results of associates	**(143)**	(3,438)
Operating cash flows before movements in working capital	**168,353**	86,013
(Increase) decrease in inventories	**(44,155)**	22,939
Decrease (increase) in trade receivables, deposits and prepayments	**39,719**	(21,411)
(Increase) decrease in amounts due from associates	**(1,208)**	6,472
Increase in amounts due to an associate	**4,981**	5,991
Decrease in trade and other payables	**(73,098)**	(47,841)
(Decrease) increase in amount due to ultimate holding company	**(269)**	2,444
Cash generated from operations	**94,323**	54,607
Income taxes paid	**(918)**	(2,897)
NET CASH FROM OPERATING ACTIVITIES	**93,405**	51,710

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(37,866)**	(32,655)
Decrease in pledged bank deposits	**28,786**	15,707
Purchase of intangible assets	**(515)**	(15)
Proceeds from disposal of property, plant and equipment and land use rights	**4,780**	47,716
Interest received	**999**	1,582
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(3,816)**	32,335
FINANCING ACTIVITIES		
Repayment of bank and other loans	**(169,530)**	(769,856)
Interest paid	**(21,478)**	(28,907)
Repayment of obligations under finance leases	**(13,451)**	(18,636)
New bank and other loans raised	**125,706**	717,935
Government subsidies received	**204**	173
Increase in amount due to ultimate holding company	**23**	20,572
Proceed of sale and leaseback transactions	**–**	21,511
NET CASH USED IN FINANCING ACTIVITIES	**(78,526)**	(57,208)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,063**	26,837
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**63,346**	36,575
Effect of foreign exchange rate changes	**262**	(66)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, Representing by bank balances, deposits and cash	**74,671**	63,346

1. CORPORATE INFORMATION

Yusei Holdings Limited (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability on 4 April 2005. Its ultimate holding company is Yusei Machinery Corporation ("Yusei Japan") (incorporated in Japan). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is RMB, the functional currency of the Company is Hong Kong dollars ("HK$").

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are moulding fabrication, manufacturing and trading of moulds and plastic components.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately RMB83,692,000 as at 31 December 2013. In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year as the Group is anticipated to generate positive cash flows from its businesses.

On the basis that the continuing availability of the banking facilities provided by its banks and the implementation of other measures with a view to improve its working capital position and net financial position, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2013. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle issued
Amendments to HKFRS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

HKAS 28 (revised 2011) "Associates and joint ventures" includes the requirements for joint ventures as well as associates, to be equity accounted following the issue of HKFRS 11. The directors of the Company considered the application of HKAS 28 (revised 2011) has not had significant impact on the Group's financial statements.

The impact of the application of these standards is set out below.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company concluded that the application of these standards has not had any material impact on the amounts recognised in the consolidated financial statements as all the subsidiaries of the Company are wholly-owned subsidiaries for the reporting periods.

Impact of application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and the guidance contained in a related interpretation. HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations or joint ventures. The classification of joint arrangement under HKFRS 11 is determined based on the rights and obligations of the parties to the arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investment in joint ventures is accounted for using the equity method (proportionate consolidation is no longer allowed). Investment in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held, its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company concluded that the application of HKFRS 11 has not had any material impact on amounts reported in the consolidated financial statements. The directors have determined that the Group's current investments which were previously classified as associates under HKAS 28 are not classified as joint arrangements under HKFRS 11 and continue to accounted for an associates using the equity method. The directors of the Company do not anticipate that there is material impact on the amounts currently reported in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Impact of the application of HKFRS 12

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. In addition, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipated that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability.

Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset for the reporting periods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 might result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 – Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may result in significant impact in the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. subsidiaries). Control is achieved where the Company has:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods, in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits scheme contribution

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in to profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible asset

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances, deposits and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables, deposits, amounts due from associates, pledged bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables and amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable, or amounts due from associates is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to associates and ultimate holding company, obligations under finance leases and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Equity-settled share-based payment transactions

Shares granted to directors, selected employees and consultants or advisors of the Company with vesting conditions

The fair value of services received determined by reference to the fair value of share granted at the grant date with vesting conditions is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (reserve for shares issued with vesting conditions).

At the time when the vesting conditions of these shares are fulfilled, the amount previously recognised in reserve for shares issued with vesting conditions will continue to be held in reserve for shares issued with vesting conditions.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of property, plant and equipment

The directors of the Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors of the Company will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of the property, plant and equipment as at 31 December 2013 amounted to approximately RMB321,317,000 (2012: RMB 373,455,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and land use rights

The Group tests annually whether property, plant and equipment and land use rights have suffered any impairment in accordance with the accounting policy stated in note 4. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. The carrying amounts of the property, plant and equipment and land use rights as at 31 December 2013 amounted to approximately RMB321,317,000 (2012: RMB373,455,000) and approximately RMB18,797,000 (2012: RMB19,420,000) respectively.

Estimated impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the interests in associates as at 31 December 2013 amounted to approximately RMB23,612,000 (2012: RMB23,469,000). No provision for impairment was made for both years.

Estimated impairment loss on inventories

The directors of the Company review an aging analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The directors of the Company estimate the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The directors of the Company also carry out an inventory review on a product-by-product basis at the end of each reporting period and makes impairment for obsolete items. During the year ended 31 December 2013, the Group reversed an impairment loss on inventories of approximately RMB1,881,000 (2012: RMB1,719,000) and written down of inventory of approximately RMB45,000 (2012: RMB1,807,000). At 31 December 2013, the carrying amount of inventories is approximately RMB138,810,000 (2012: RMB140,390,000).

Estimated impairment loss on trade and bills receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of trade and bills receivables is RMB272,347,000 (net of allowance for doubtful debts of RMB4,904,000) (2012: carrying amount of RMB290,808,000, net of allowance for doubtful debts of RMB3,596,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes obligations under finance leases and bank and other loans as disclosed in notes 27 and 28 respectively and amount due to ultimate holding company as disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new loans or repayment of existing loans.

7. FINANCIAL INSTRUMENTS

A. Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loan and receivables		
– receivables, deposits and other receivables	**274,634**	295,088
– amounts due from associates	**4,266**	3,058
– pledged bank deposits	**2,479**	31,265
– bank balances, deposits and cash	**74,671**	63,346
	356,050	392,757
Financial liabilities		
Financial liabilities measured at amortised cost		
– trade payables and accrued charges	**228,479**	292,981
– amount due to ultimate holding company	**25,429**	24,441
– amounts due to associates	**10,972**	5,991
– obligations under finance leases	**13,516**	26,967
– bank and other loans	**312,929**	357,989
	591,325	708,369

7. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial risk, management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables; trade payables and accrued charges; obligations under finance leases; bank and other loans; amounts due to ultimate holding company and associates; pledged bank deposits and bank balances, deposits and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's exposure to currency risk is attributable to the trade receivables, deposits and other receivables; bank balances, deposits and cash; trade payables and accrued charges; obligations under finance leases, bank loans of the Group which are denominated in foreign currencies of United State dollars ("US$") and Japanese Yen ("JPY"). The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors of the Company monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Monetary assets		
US$		
Receivables, deposits and other receivables	**43,592**	61,723
Bank balances, deposits and cash	**15,884**	18,005
	59,476	79,728
JPY		
Deposits and other receivables	**831**	1,049
Bank balances, deposits and cash	**1,564**	607
	2,395	1,656
	61,871	81,384

7. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial risk, management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Monetary liabilities		
US$		
Trade payables and accrued charges	**42,903**	40,983
Bank loans	**51,661**	53,428
	94,564	94,411
JPY		
Trade payables and accrued charges	**841**	986
Obligations under finance leases	**–**	4,332
Bank loans	**26,044**	43,874
	26,885	49,192
	121,449	143,603

Sensitivity analysis

The Group is mainly exposed to currency risk in JPY and US$. The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in RMB or HK$ against JPY and 5% (2012: 5%) increase and decrease in RMB or HK$ against US$ with all other variables held constant. 10% and 5% (2012: 10% and 5%) are the sensitivity rate used when the reporting foreign currency risk internally to key management personnel and represents directors' assessment of the reasonably possible change in foreign exchange rates of JPY and US$. The sensitivity analysis includes US$ and JPY denominated monetary assets and liabilities and adjusts their translation based on their carrying amounts at the end of each reporting period. A positive number below indicates a decrease in the post-tax profit where RMB or HK$ strengthen 5% (2012: 5%) against US$ and strengthen 10% (2012: 10%) against JPY. For a 5% and 10% (2012: 5% and 10%) weakening of RMB or HK$ against US$ and JPY respectively, there would be an equal and opposite impact on the post-tax profit.

	2013	2012
	Increase in profit	Increase in profit
	RMB'000	RMB'000
US$	**(1,683)**	(73)
JPY	**(2,302)**	(4,467)

7. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial risk, management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank balances, deposits and cash, amount due to ultimate holding company, obligations under finance leases and bank and other loans (see notes 23, 24, 26, 27 and 28 respectively for details). The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank and other loans (see Note 28 for details). It is the Group's policy to keep its loans at floating-rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Toyko Interbank Offer Rate ("TIBOR") arising from the Group's JPY denominated bank loans and RMB Benchmark Interest Rate arising from the Group's RMB denominated bank loans.

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase or decrease of five percentage (2012: five percentage) in interest rates, with all other variables held constant, would decrease or increase the Group's post-tax profit for the year ended 31 December 2013 by approximately RMB253,000 (2012: RMB102,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for bank and other loans in existence at the end of the reporting period. The five percentage (2012: five percentage) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that receivables will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by credit limits. The Group's current credit practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine credit limits to be granted.

7. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial risk, management objectives and policies (Continued)

Credit risk (Continued)

As at 31 December 2013, the Group has certain concentration of credit risk as 57% (2012: 56%) of the Group's total balance of receivables was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99.9% (31 December 2012: 99.9%) of the total receivables as at 31 December 2013.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

As at 31 December 2013, the Group has net current liabilities of approximately RMB83,692,000 (2012: RMB121,049,000).

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial supports from its bankers. As at 31 December 2013, banking facilities in an aggregate amount of approximately RMB266,050,000 (2012: approximately RMB173,400,000) were available from the Group's principal bankers, of which approximately RMB177,290,000 (2012: RMB113,550,000) has been utilised and included in bank and other loans or bills payables. The Group's management monitors the utilisation of bank and other loans and ensures compliance with existing loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank and other loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The following table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2013

	Within one year or on demand RMB'000	More than one year less than two years RMB'000	More than two years less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade payable and accrued charges	228,479	–	–	228,479	228,479
Amount due to ultimate holding company	25,429	–	–	25,429	25,429
Amounts due to associates	10,972	–	–	10,972	10,972
Obligations under finance leases	6,154	6,154	2,831	15,139	13,516
Bank and other loans	318,719	11,329	–	330,048	312,929
	589,753	17,483	2,831	610,067	591,325

7. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial risk, management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 December 2012

	Within one year or on demand RMB'000	More than one year less than two years RMB'000	More than two years less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade payable and accrued charges	292,981	–	–	292,981	292,981
Amount due to ultimate holding company	24,647	–	–	24,647	24,441
Amount due to an associate	5,991	–	–	5,991	5,991
Obligations under finance leases	15,079	6,154	8,985	30,218	26,967
Bank and other loans	348,721	18,022	10,906	377,649	357,989
	687,419	24,176	19,891	731,486	708,369

Bank loans with a repayment on demand clause are included in the "within one year or on demand" time band in the above maturity analysis. As at 31 December 2013 and 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to RMB2,496,000 and RMB6,282,000 respectively. Taking into account the Group had no history of default or delay in principal nor interests payments, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB2,598,000.

C. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider the fair values of other financial assets and financial liabilities approximate their carrying amounts as the impact of discounting is not significant.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold, less discount and value-added tax during the year.

For the two years ended 31 December 2013 and 2012, the sole principal activity of the Group is moulding fabrication, manufacturing and trading of moulds and plastic components. All the operations of the Group are located and carried out in the PRC. In the opinion of the directors of the Company, being the chief operating decision maker, the Group operated in a single operating segment. Accordingly, no segmental analysis has been presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2013 **RMB'000**	2012 RMB'000
Customer A	**167,263**	282,945
Customer B	**156,573**	184,124

All revenue generated from the major customers shown above relate to the sale of moulds and plastic components.

9. OTHER INCOME

	2013 **RMB'000**	2012 RMB'000
Gain on sales of materials	**3,420**	3,494
Bank interest income	**999**	1,582
Rental income received	**126**	193
Utilities expenses claimed	**603**	463
Government subsidies (Note)	**204**	173
Release of government grants for land use rights (Note 29)	**85**	85
Reversal of impairment loss on trade receivables	**167**	–
Gain on disposal of property, plant and equipment and land use rights	**11**	35,239
Release of deferred gain from sale and leaseback of property, plant and equipment (Note 29)	**163**	136
Others	**1,133**	977
	6,911	42,342

Note: Government subsidies of approximately RMB204,000 (2012: RMB173,000) have been recognised during the year ended 31 December 2013 which were designated for the encouragement of business development and high technology development incentive. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for the year.

10. LOSS CAUSED BY FIRE ACCIDENT

On 1 January 2013, a fire broke out in the production plant No. 2 of Hangzhou Yusei, which was located in Lingang Industrial Park, Xiaoshan, Hangzhou City, Zhejiang Province, the PRC. As a result of the fire accident, certain property, plant and equipment and inventories were seriously damaged of which their carrying amounts as at 1 January 2013 were approximately RMB42,891,000 and RMB47,571,000 respectively. In addition, some delay in goods delivery to customers was resulted, leading to customer claims of approximately RMB4,570,000 being provided for and RMB2,229,000 being paid by the Group. Restoration costs incurred due to the fire accident was approximately RMB4,296,000.

As of the date of these consolidated financial statements, the Group was entitled to receive compensation from the insurance companies of approximately RMB78,098,000. The Directors of the Company are of the opinion that the Group had no significant contingent liabilities and capital commitment arising from the fire accident at the end of the reporting period.

Loss caused by fire accident was presented in the consolidation statement of profit or loss for the year ended 31 December 2013. The loss caused by fire accident was calculated as (i) impairment loss on property, plant and equipment and inventories in respect of fire accident, and (ii) the provision for customer claims less (iii) the compensation from the insurance companies.

	RMB'000
Compensation received and receivable from insurance claim	78,098
Sale of scrap material to independent third parties	1,809
Less: Property, plant and equipment derecognised	(42,891)
Inventories derecognised	(47,571)
Compensation recognised and paid to customers	(2,229)
Provision for compensation to customers	(4,570)
Restoration costs	(4,296)
	(21,650)

11. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
bank and other loans wholly repayable within five years	**20,231**	26,483
finance leases	**1,752**	2,424
amount due to ultimate holding company	**1,234**	1,296
	23,217	30,203

Note: No borrowing costs capitalised for the year ended 31 December 2013 and 2012.

12. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax (the "EIT")		
Current year	**3,598**	2,507
Over provision in prior years	**–**	(30)
	3,598	2,477

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

(iii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The applicable tax rate of the Company's subsidiaries, 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei") and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* ("Suzhou Yusei") for the year ended 31 December 2013 and 2012 was 15%. On 27 December 2012, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at the rate of 15% for three years, with effective from 1 January 2012. On 8 November 2011, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at the rate of 15% for three years, with effective from 1 January 2011.

In addition, the Company's another subsidiary, 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.* ("Zhejiang Yusei"), is operating and registered in the State Level New and High Technology Development Zone. Zhejiang Yusei is subjected to PRC EIT rate of 25% commencing from 1 January 2012.

Pursuant to the approvals obtained from the relevant PRC tax authorities, 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.* ("Yusei China") is entitled to a tax concession period in which it is fully exempted from PRC EIT for two years commencing from 1 January 2008, followed by a reduced income tax rate of 11%, 12% and 12.5% for the sequential three years commencing from 1 January 2010. Yusei China is subjected to PRC EIT rate of 25% commencing from 1 January 2013.

The applicable PRC EIT rate of 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou Yusei") and 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.* ("Hangzhou Yusei Moulding") is 25% for the two years ended 31 December 2013 and 2012.

* The English names are for identification purposes only.

12. INCOME TAX EXPENSE (CONTINUED)

The charge for the year can be reconciled to the profit before taxation per consolidated profit or loss, based on the income tax rate of most of the Group's profit under assessment, as follows:

	2013 RMB'000	2012 RMB'000
Profit before taxation	**9,202**	43,922
Tax at the income tax rate at 25% (2012: 25%)	**2,301**	10,980
Tax effect of share of results of associates	**(36)**	(860)
Tax effect of expenses not deductible for tax purpose	**4,258**	5,979
Tax effect of income not taxable for tax purpose	**(2,411)**	(12,652)
Tax effect of tax losses not recognised	**1,253**	1,428
Utilisation of tax losses previously not recognised	**(385)**	(889)
Tax effect of tax concession period	**(1,261)**	(1,447)
Effect of different tax rates	**(121)**	(32)
Overprovision in prior years	**–**	(30)
Income tax expenses for the year	**3,598**	2,477

As at 31 December 2013, the Group has estimated unused tax losses of approximately RMB32,629,000 (31 December 2012: RMB29,157,000). No deferred tax asset has been recognised in the consolidated financial statements due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB177,280,000 (31 December 2012: RMB157,121,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executive's remuneration (Note 14)	**4,105**	2,681
Salaries, wages and other benefits	**128,213**	126,208
Retirement benefits scheme contributions	**3,399**	2,823
Other staff costs	**131,612**	129,031
Total staff costs	**135,717**	131,712
Depreciation of property, plant and equipment	**42,344**	50,295
Amortisation of intangible asset (included in administrative expenses)	**68**	128
Amortisation of land use rights (included in administrative expenses)	**623**	665
Total depreciation and amortisation expenses	**43,035**	51,088
Operating lease charges on leased premises	**6,351**	6,513
Impairment loss on trade receivables (included in administrative expense)	**1,475**	1,365
Impairment loss on inventories (included in cost of sales)	**45**	1,807
Reversal of impairment loss on inventories (included in cost of sales) (Note 20)	**(1,881)**	(1,719)
Auditors' remuneration	**916**	900

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors and Chief Executive

Details of remuneration paid and payable to each of the eight (2012: nine) directors and the chief executive of the Company for the years ended 31 December 2013 and 2012 are as follows:

2013

Name of director	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Xu Yong	1,630	120	21	1,771
Shimabayashi Manabu	1,130	211	4	1,345
Non-executive directors				
Katsutoshi Masuda	783	–	–	783
Toshimitsu Masuda	39	–	–	39
Mr. Shinichi Koizumi (resigned on 9 September 2013)	27	–	–	27
Independent non-executive directors				
Lo Ka Wai	94	–	–	94
Fan Xiaoping	23	–	–	23
Hisaki Takabayashi	23	–	–	23
	3,749	331	25	4,105

2012

Name of director	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Xu Yong	630	120	13	763
Shimabayashi Manabu	630	236	–	866
Non-executive directors				
Katsutoshi Masuda	811	–	–	811
Toshimitsu Masuda	41	–	–	41
Toshinobu Ito (resigned on 23 November 2012)	14	–	–	14
Mr. Shinichi Koizumi	41	–	–	41
Independent non-executive directors				
Lo Ka Wai	97	–	–	97
Fan Xiaoping	24	–	–	24
Hisaki Takabayashi	24	–	–	24
	2,312	356	13	2,681

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors and Chief Executive (Continued)

Mr. Xu Yong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive has waived any remuneration during the two years ended 31 December 2013 and 2012.

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The aggregate emoluments of the remaining two (2012: two) individuals were attributable to two members of senior management, as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, wages and other benefits	**810**	729
Retirement benefits scheme contributions	**34**	29
	844	758

The emoluments paid to the members of senior management (excluding directors) were within the following bands:

	Number of employees **2013**	2012
Nil to HK$1,000,000 (equivalent to approximately RMB782,682 (2012: RMB810,775))	**2**	2

During the two years ended 31 December 2013 and 2012, no remuneration were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 **RMB'000**	2012 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**5,604**	41,445
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**176,000,000**	176,000,000

Diluted earnings per share is same as basic earnings per share for the year ended 31 December 2013 and 2012 as there is no potential ordinary shares outstanding.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	169,475	423,935	5,711	10,948	27,002	–	637,071
Additions	4,799	40,446	–	566	6,264	2,148	54,223
Disposal	(16,540)	(51,482)	(94)	(2,531)	–	–	(70,647)
At 31 December 2012 and 1 January 2013	**157,734**	**412,899**	**5,617**	**8,983**	**33,266**	**2,148**	**620,647**
Additions	**543**	**15,646**	**1,045**	**280**	**3,796**	**16,556**	**37,866**
Derecognised due to fire accident (Note 10)	**(20,847)**	**(33,377)**	**(372)**	**(1,703)**	**(22,949)**	**–**	**(79,248)**
Transfer	**–**	**–**	**–**	**–**	**3,589**	**(3,589)**	**–**
Disposal	**–**	**(2,187)**	**(1,508)**	**(12)**	**(3,589)**	**–**	**(7,296)**
At 31 December 2013	**137,430**	**392,981**	**4,782**	**7,548**	**14,113**	**15,115**	**571,969**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	32,658	180,384	4,389	8,372	8,659	–	234,462
Provided for the year	7,616	34,791	379	622	6,887	–	50,295
Eliminated on disposals	(9,972)	(25,353)	(84)	(2,156)	–	–	(37,565)
At 31 December 2012 and 1 January 2013	**30,302**	**189,822**	**4,684**	**6,838**	**15,546**	**–**	**247,192**
Provided for the year	**7,620**	**31,783**	**365**	**519**	**2,057**	**–**	**42,344**
Derecognised due to fire accident (Note 10)	**(6,389)**	**(18,715)**	**(320)**	**(1,309)**	**(9,624)**	**–**	**(36,357)**
Eliminated on disposals	**–**	**(1,149)**	**(1,369)**	**(9)**	**–**	**–**	**(2,527)**
At 31 December 2013	**31,533**	**201,741**	**3,360**	**6,039**	**7,979**	**–**	**250,652**
CARRYING VALUES							
At 31 December 2013	**105,897**	**191,240**	**1,422**	**1,509**	**6,134**	**15,115**	**321,317**
At 31 December 2012	127,432	223,077	933	2,145	17,720	2,148	373,455

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives:

Buildings	20 years
Machinery and equipment	5 to 20 years
Motor vehicles	5 years
Office equipment	5 years
Moulds	5 years

As at 31 December 2013 and 2012, certain of the property, plant and equipment were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 28.

Analysis of carrying values of machinery and equipment held under finance leases is:

	2013 **RMB'000**	2012 RMB'000
Machinery and equipment	**20,468**	50,076

17. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2012	4,696
Additions	15
At 31 December 2012 and 1 January 2013	4,711
Additions	515
At 31 December 2013	5,226
AMORTISATION	
At 1 January 2012	4,166
Provided for the year	128
At 31 December 2012 and 1 January 2013	4,294
Provided for the year	68
At 31 December 2013	4,362
CARRYING VALUES	
At 31 December 2013	864
At 31 December 2012	417

The amount represents software which is amortised on a straight-line basis over one to ten years.

18. LAND USE RIGHTS

	2013 RMB'000	2012 RMB'000
COST		
At beginning of the year	**23,748**	25,025
Disposal	**–**	(1,277)
At end of the year	**23,748**	23,748
AMORTISATION		
At beginning of the year	**3,711**	4,232
Charge for the year	**623**	665
Eliminated on disposal	**–**	(1,186)
At end of the year	**4,334**	3,711
CARRYING VALUES		
At end of the year	**19,414**	20,037
Analysed for reporting purposes as:		
Current assets (included in receivables, deposits and prepayments)	**617**	617
Non-current assets	**18,797**	19,420
	19,414	20,037

Land use rights represent medium-term leasehold land in the PRC and are amortised over the respective lease terms.

As at 31 December 2013 and 2012, certain of the land use rights were pledged to obtain bank loans granted to the Group, details of which are set out in note 28.

19. INTERESTS IN ASSOCIATES

	2013 RMB'000	2012 RMB'000
Cost of investment in associates – unlisted	**27,671**	27,671
Share of post-acquisition losses	**(4,059)**	(4,202)
Interests in associates	**23,612**	23,469

Included in the cost of investment in associates is goodwill of approximately RMB2,111,000 (2012: RMB2,111,000) arising on acquisition of associates.

As at 31 December 2013 and 2012, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
杭州友成實業有限公司 Hangzhou Yusei Industrial Company Limited* ("Yusei Industrial")	Incorporated	PRC	Registered capital	**30%**	30%	**30%**	30%	Moulding fabrication
杭州友成進出口有限公司 Hangzhou Yusei Import and Export Limited Company*# ("Yusei Import and Export")	Incorporated	PRC	Registered capital	**30%**	30%	**30%**	30%	Trading of plastic components and moulds
吉林東光友成機工有限公司 Jilin Dong Guang Yusei Manufacturing Co., Ltd.* ("Jilin Yusei")	Incorporated	PRC	Registered capital	**40%**	40%	**40%**	40%	Manufacturing and trading of plastic components

* The English names are for identification purposes only.

\# Yusei Import and Export was a wholly-owned subsidiary of Yusei Industrial.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Yusei Industrial is the only material associate of the Group for both years. Summarised financial information in respect of the Group's material associate is set out below, which represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Yusei Industrial

	2013 RMB'000	2012 RMB'000
Current assets	**54,185**	73,102
Non-current assets	**107,786**	104,305
Current liabilities	**52,300**	68,212
Non-current liabilities	**38,000**	38,000

	2013 RMB'000	2012 RMB'000
Revenue	**191,386**	164,999
Profit for the year	**477**	11,461
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**477**	11,461

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Yusei Industrial (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Net assets of Yusei Industrial	**71,671**	71,195
Proportion of the Group's ownership interest in Yusei Industrial	**30%**	30%
Goodwill	**2,111**	2,111
Carrying amount of the Group's interest in Yusei Industrial	**23,612**	23,469

The Group's immaterial associate only includes Jilin Yusei. The Group has discontinued recognition of its share of loss of Jilin Yusei commencing from the year ended 31 December 2010 since the carrying amount of its interest reduced to nil. The amount of unrecognised share of profit (loss) of those associate, extracted from the relevant management accounts, both for the year and cumulatively, is as follow:

	2013 RMB'000	2012 RMB'000
Unrecognised share of profits (losses) and total comprehensive income (expense) of an associate for the year	**205**	(1,738)
Accumulated unrecognised share of losses and total comprehensive expense of an associate	**(4,407)**	(4,612)

20. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**36,341**	34,467
Work-in-progress	**62,784**	74,526
Finished goods	**39,685**	31,397
	138,810	140,390

During the year, there was a significant increase in the net realisable value of finished goods due to change in market condition. As a result, a reversal of impairment loss on inventories of RMB1,881,000 (2012: RMB1,719,000) has been recognised and included in cost of sales in the current year.

21. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Trade receivables and bills receivables	**277,251**	294,404
Less: impairment loss recognised	**(4,904)**	(3,596)
	272,347	290,808
Advance to suppliers	**7,640**	25,146
Other receivables, deposits and prepayments	**8,372**	14,561
	288,359	330,515

The Group allows a general credit period of 30 to 90 days to its customers. For customers who purchased moulds from the Group and have established good relationships with the Group, the credit period may extend to the range from 90 days to 270 days.

The aging analysis of trade receivables and bills receivables based on the invoice date, which is approximate to revenue recognition date, net of impairment loss recognised is as follows:

	2013 RMB'000	2012 RMB'000
1 – 30 days	**160,943**	203,969
31 – 60 days	**58,850**	44,670
61 – 90 days	**34,427**	25,014
91 – 180 days	**16,771**	15,275
181 – 365 days	**1,346**	1,818
Over 365 days	**10**	62
Trade receivables and bills receivables	**272,347**	290,808

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables balance directly. The movement in the provision for impairment loss on trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**3,596**	2,231
Reversal of impairment loss	**(167)**	–
Recognised during the year	**1,475**	1,365
Balance at end of the year	**4,904**	3,596

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

21. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Receivables of approximately RMB254,220,000 (2012: RMB273,653,000) were neither past due nor impaired and related to a wide range of customers for whom there was no history of default. The Group does not hold any collateral over these balances.

Receivables of approximately RMB18,127,000 (2012: RMB 17,155,000) that were past due but not impaired were all aged within one year and related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2012, certain of the bills receivables were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 28.

Receivables, deposits and other receivables of the Group that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
US$	**43,592**	61,723
JPY	**831**	1,049

22. AMOUNTS DUE FROM ASSOCIATES/TO ASSOCIATES

(a) Amounts due from associates:

Name of company	**2013 RMB'000**	**Maximum amount outstanding during 2013 RMB'000**	2012 RMB'000	Maximum amount outstanding during 2012 RMB'000
Yusei Industrial	**4,266**	**4,266**	–	–
Yusei Import and Export	**–**	**1,286**	1,286	2,978
Jilin Yusei	**–**	**1,772**	1,772	5,248
	4,266		3,058	

* Yusei Import and Export was a wholly-owned subsidiary of Yusei Industrial. The English name is for identification purpose only.

The amounts are unsecured, interest-free and repayable under credit term of 90 days.

22. AMOUNTS DUE FROM ASSOCIATES/TO ASSOCIATES (CONTINUED)

(b) Amounts due to associates:

Name of company	2013 RMB'000	2012 RMB'000
Yusei Industrial	–	5,991
Yusei Import and Export	9,260	–
Jilin Yusei	1,712	–
	10,972	5,991

The amounts are unsecured, interest-free and repayable under credit term of 90 days.

23. PLEDGED BANK DEPOSITS

As at 31 December 2013, bank deposits amounting to approximately RMB2,479,000 (2012: RMB29,465,000) have been pledged for short-term bills payables. The pledged deposits were classified as current assets as the deposits will be released upon the settlement of relevant bills payables. In additions, an aggregate bank deposit of RMB1,800,000 had been pledged to the PRC customs authorities at 31 December 2012.

The pledged bank deposits carry fixed interest rates ranging from 0.35% to 2.80% per annum (2012: 0.35% to 2.80% per annum).

24. BANK BALANCES, DEPOSITS AND CASH

At 31 December 2013, bank balances, deposits and cash of approximately RMB56,860,000 (2012: RMB44,332,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the Government of the PRC. The bank balances and deposits held by the Group are with maturity of three months or less and carry interest at prevailing market rate for both years.

Bank balances, deposits and cash of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
US$	15,884	18,005
JPY	1,564	607
HK$	340	394
EURO	23	8

At 31 December 2012, bank balances of approximately RMB5,000,000 was secured to the Group's short-term bank loans, details of which are set out in note 28.

25. TRADE AND OTHER PAYABLES

The aging analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2013 RMB'000	2012 RMB'000
1 – 30 days	**104,692**	87,623
31 – 60 days	**43,963**	68,930
61 – 90 days	**22,499**	50,307
91 – 180 days	**5,090**	26,344
181 – 365 days	**1,388**	13,030
Over 365 days	**1,529**	1,217
Trade payables and bills payables	**179,161**	247,451
VAT payables	**10,966**	12,128
Deposits received	**673**	4,192
Other payables and accrued charges	**49,519**	45,876
	240,319	309,647

The average credit period on purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's bank deposits of approximately RMB2,479,000 (2012: RMB29,465,000) were pledged to the banks to secure bills payables.

Trade payables and accrued charges of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
US$	**42,903**	40,983
JPY	**841**	986

26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Included in the amount due to ultimate holding company of approximately RMB22,177,000 (2012: 20,572,000) is unsecured, carrying interest rate of 7.3% per annum and repayable within 12 months, the remaining balance is unsecured, interest-free and repayable on demand.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payment	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**6,154**	15,079	**5,163**	13,451
More than one year, but not exceeding two years	**6,154**	6,154	**5,643**	5,163
More than two years, but not exceeding five years	**2,831**	8,985	**2,710**	8,353
	15,139	30,218	**13,516**	26,967
Less: Future finance charges	**(1,623)**	(3,251)	**N/A**	N/A
Present value of lease obligations	**13,516**	26,967	**13,516**	26,967
Less: Amounts due within one year shown under current liabilities			**(5,163)**	(13,451)
Amounts due after one year			**8,353**	13,516

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

It is the Group's policy to lease certain of its machinery and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2013, the average effective borrowing rate was 9.07% per annum (2012: 5.67% per annum). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

As at 31 December 2012, certain finance leases obligations are denominated in JPY, amounted to approximately RMB4,332,000 (2013: nil).

28. BANK AND OTHER LOANS

	2013 RMB'000	2012 RMB'000
Bank loans	**278,429**	322,889
Other loans	**34,500**	35,100
	312,929	357,989
Analysed as:		
Secured bank loans	**103,291**	128,857
Secured other loans	**–**	5,100
Unsecured bank loans	**175,138**	194,032
Unsecured other loans	**34,500**	30,000
	312,929	357,989
The maturity profile of the above loans is as follows:		
Carrying amount repayable (Note):		
On demand or within one year	**302,188**	327,699
More than one year but not exceeding two years	**10,741**	17,084
More than two years but not more than five years	**–**	10,338
	312,929	355,121
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**–**	2,868
	312,929	357,989
Less: Amounts due within one year shown under current liabilities	**(302,188)**	(330,567)
Amounts shown under non-current liabilities	**10,741**	27,422

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's interest-bearing bank and other loans are as follows:

	2013 RMB'000	2012 RMB'000
Fixed-rate loans	**204,621**	294,657
Floating-rate loans	**108,308**	63,332
	312,929	357,989

28. BANK AND OTHER LOANS (CONTINUED)

The ranges of effective interest rates per annum of the Group's loans are as follows:

	2013 RMB'000	2012 RMB'000
Fixed-rate loans	**2.35% to 7.20%**	2.35% to 7.98%
Floating-rate loans	**1.73% to 7.69%**	1.73% to 8.31%

The secured bank and other loans were secured by the Group's land use rights, property, plant and equipment, bank balances and bills receivables with an aggregate net carrying amount of approximately RMB8,645,000 (2012: RMB19,593,000), RMB43,270,000 (2012: RMB60,782,000), nil (2012: RMB5,000,000) and nil (2012: RMB5,100,000) respectively.

The Group's bank and other loans that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
US$	**51,661**	53,428
JPY	**26,044**	43,874

29. DEFERRED INCOME

	2013 RMB'000	2012 RMB'000
Current liabilities (included in trade payables and accrued charges)		
Deferred income – government grants (Note a)	**85**	85
Deferred income – sales and leaseback transactions (Note b)	**163**	163
	248	248
Non-current liabilities		
Deferred income – government grants (Note a)	**773**	858
Deferred income – sales and leaseback transactions (Note b)	**353**	516
	1,126	1,374
	1,374	1,622

29. DEFERRED INCOME (CONTINUED)

Note a: During the year ended 31 December 2007, the Group received government grants of approximately RMB1,297,000, which were designated for the purchase of land use rights. Such government grants are presented as deferred income and are released to income over the useful lives of the related land use rights. During the current year, government grants released to consolidated profit or loss as other income amounted to approximately RMB85,000 (2012: RMB85,000).

Note b: During the year ended 31 December 2012, the Group sold property, plant and equipment and leased back with a lease term of 5 years under sale and finance leaseback arrangement. A gain of approximately RMB815,000 on the sale and finance leaseback transaction which were amortised over its lease term. During the year ended 31 December 2013, gain on sale and leaseback of property, plant and equipment released to consolidated profit or loss as other income amounted to approximately RMB163,000 (2012: RMB136,000).

30. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Amount HK$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
At 1 January 2012, 31 December 2012 and 31 December 2013	1,500,000	15,000	N/A
Issued and fully paid			
At 1 January 2012, 31 December 2012 and 31 December 2013	176,000	1,760	1,810

31. SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 19 September 2005 for the primary purpose of providing incentives or rewards to and recognising the contribution of the full-time employees of the Company and/or its subsidiaries, directors (whether executive, non-executive or independent non-executive) of the Company and/or its subsidiaries, and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) to the Group (collectively the "Eligible Persons") and providing more flexibility to the Group, and will expire on 18 September 2015. Under the Scheme, the directors of the Company may grant options to Eligible Persons. No options had been granted since the adoption of the Scheme.

The Scheme was terminated upon the shares of the Company were withdrawn from the Growth Enterprise Market and listed on the Main Board of the Stock Exchange on 15 October 2010. No further options may be affected or granted under the scheme.

32. RESERVES

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the registered capital of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation on 6 June 2005.

(ii) Capital reserve

The amount represents the excess capital contribution by the ultimate holding company to the subsidiary in prior years.

(iii) Statutory surplus reserve

The Articles of Association of the subsidiaries requires the appropriation of 10% of its profit after taxation determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(iv) Reserve for shares issued with vesting conditions

The reserve for shares issued with vesting conditions represents the accumulated fair value at the date of allotment of the relevant shares (allotted on 12 October 2005) subsequently vested.

33. COMMITMENT

Operating leases

(a) As lessor

At the end of the reporting period, the Group had future minimum lease receivables under non-cancellable operating leases contracted with tenants as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	–	13

33. COMMITMENT (CONTINUED)

Operating leases (Continued)

(b) As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**320**	526
In the second to fifth years inclusive	**143**	417
	463	943

Operating lease payments represent rentals payable by the Group for its leased factory and office premises. Leases are negotiated with terms ranging from two to five years and rentals are fixed for an average of two to five years.

Capital commitments

	2013 **RMB'000**	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**3,443**	1,209

34. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% at relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Company contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2013, the total retirement benefits scheme contributions charged to the consolidated profit or loss amounted to approximately RMB3,424,000 (2012: RMB2,836,000).

35. EVENT AFTER THE REPORTING PERIOD

On 22 January 2014, the Company entered into a subscription agreement with nine subscribers (who are directors and key management personnel of the Group), pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for 26,400,000 subscription shares ("Subscription Shares") at an issue price of HK$0.80 (equivalently to approximately RMB0.625) per Subscription Share. The total consideration shall be a sum of HK$21,120,000 and to be apportioned among the Subscribers based on the number of Subscription Shares subscribed by each of them. The Subscription Shares will be issued under a specific mandate to be sought for approval by the independent shareholders. Details are disclosed in the Company's announcement dated on 27 January 2014. The transaction was not yet completed as at the issuance date of these consolidated financial statements.

36. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties are set out in the consolidated statement of financial position and notes 22 and 26 respectively.

(b) During the year ended 31 December 2013, the Group had the following material transactions with its related parties:

Name of related party	Nature of transactions	2013 RMB'000	2012 RMB'000
Yusei Japan	Purchase of raw materials	**126**	129
	Sales of finished goods	**472**	799
	Interest payable	**1,234**	1,296
	Technical service fee expense	**–**	1,200
Yusei Industrial	Rental fee paid	**2,317**	2,332
	Sales of moulds	**22,014**	10,344
	Mould designing fee paid	**17**	62
	Purchase of raw materials	**–**	1,280
Jilin Yusei	Purchase of finished goods	**17,126**	8,418
	Sales of finished goods	**1,015**	–
Yusei Import and Export	Sales of moulds	**22,844**	11,225

The above transactions were made on terms mutually agreed between both parties.

(c) In additions to above, the remuneration of directors and other members of key management during the year was as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**5,597**	3,786

The remuneration of directors and key executives disclosed above are based on the service contracts entered into between the Group and the respective individuals. The remuneration of directors and key executives for subsequent renewal of these service contracts will be determined by the remuneration committee having regard to the performance of individuals and market trends.

37. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2013 and 2012 established and operating in the PRC are as follows:

Name of subsidiary	Fully paid registered capital 2013 US$'000	Fully paid registered capital 2012 US$'000	Class of share	Attributable interests directly held by the Company 2013	Attributable interests directly held by the Company 2012	Principal activities
Zhejiang Yusei	**3,000**	3,000	Registered capital	**100%**	100%	Moulding fabrication, manufacturing and trading of plastic components
Hangzhou Yusei	**8,000**	8,000	Registered capital	**100%**	100%	Moulding fabrication, manufacturing and trading of plastic components
Hangzhou Yusei Moulding	**500**	500	Registered capital	**100%**	100%	Moulding fabrication
Yusei China	**15,300**	15,300	Registered capital	**100%**	100%	Moulding fabrication
Suzhou Yusei	**3,500**	3,500	Registered capital	**100%**	100%	Moulding fabrication, manufacturing and trading of plastic components
Guangzhou Yusei	**1,622**	1,622	Registered capital	**100%**	100%	Moulding fabrication, manufacturing and trading of plastic components.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries		**203,302**	208,795
Interest in an associate		**20,471**	20,471
		223,773	229,266
Current assets			
Deposits, prepayments and other receivables		**804**	1,013
Amount due from ultimate holding company	(a)	**607**	629
Amounts due from subsidiaries	(a)	**13,368**	34,475
Bank balances and cash		**4,841**	4,232
		19,620	40,349
Current liability			
Other payables and accruals		**3,332**	2,412
Amounts due to subsidiaries	(a)	**–**	14,823
Bank and other loans – due within one year		**46,617**	49,295
		49,949	66,530
Net current liabilities		**(30,329)**	(26,181)
		193,444	203,085
Non-current liability			
Bank and other loans – due after one year		**9,787**	22,869
Net assets		**183,657**	180,216
Capital and reserves			
Share capital		**1,810**	1,810
Reserves	(b)	**181,847**	178,406
Total equity		**183,657**	180,216

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) The amounts due from ultimate holding company, due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(b) Reserves of the Company

	Share premium RMB'000	Reserve for shares issued with vesting conditions RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	39,867	18,065	73,854	6,056	40,263	178,105
Total comprehensive (expense) income for the year	–	–	–	(79)	380	301
At 31 December 2012 and 1 January 2013	**39,867**	**18,065**	**73,854**	**5,977**	**40,643**	**178,406**
Total comprehensive income for the year	**–**	**–**	**–**	**1,674**	**1,767**	**3,441**
At 31 December 2013	**39,867**	**18,065**	**73,854**	**7,651**	**42,410**	**181,847**